

SHG: Micro-finance as a New Tool to Combat Poverty: An Empirical Study

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Abstract

Micro finance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self-help movement. The major approach to deliver micro-finance from financial institutions for undertaking self-employment activities particularly among the rural poor is of two types viz. individual and group oriented. The concept of SHG serves to underline the principle of "for the poor, by the poor, of the poor. In this paper covers socio-economic, credit plus services and analyze the impact of micro credit plus services on household welfare.

Keywords: Self-help groups (SHGs); Micro-finance; Financial institutions; Banking systems.

Introduction

Micro-finance has gained a lot of significance and momentum in the last decade. India now occupies a significant place and a niche in global micro-finance through promotion of the self-help groups (SHGs) and the homegrown SHG-bank Linkage model. The Indian modal offers greater promise and potential to address poverty as it is focused on building social capital through providing access to financial services through linking with the mainstream.

Since the inception of economic planning in India, efforts have been made in successive plans to mitigate the incidence of poverty. Depending on the dominant development paradigms of the age, India has tried various strategies for addressing the issue of poverty. Some of them could be summarized as the Community Development, Trickle Down, Basic Needs, Human Resource Development,

Labour-Intensive growth with targeted programmes and empowerment and enhancing security, to name a few. Despite all these efforts, there has been no conspicuous change at the poverty front though the relative poverty has fallen marginally; the absolute poverty is still alarmingly high.

The present study assesses the impact of microfinance on the social status of SHG rural women in the pre-SHG and post-SHG scenarios. For empirical investigation and analysis, Rappthadu Mandal which is one of the backward Mandal in Anantapur district of Andhra Pradesh is taken. Since efforts were also made to find out the impact of microfinance of SHGs in ensuring empowerment, evince self-confidence, bring-out positive and proactive behavioral changes in the post-SHG period as compared to the pre-SHG period

Role of Micro-Finance

Most of the Government in developing countries are encouraging micro financing for empowerment of poor. In India also, NABARD encourages lending to women through Self Help Groups (SHGs) after achieving successful results from a pilot project of 500 SHG-Bank linkage programme in 1992. Now it is the largest micro financing programme anywhere in the world. According to NABARD, unto the

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year 2008, 44.60 lakh SHGs covering 5.8 crores of poor households are linked to banking system and over 40 million poor households have gained access to the formal banking system through the SHG Bank linkage programme.

Concept of Self-Help Group

Self Help Group is defined as “a small economically homogenous and affinity group of rural poor voluntarily formed, to save and mutually agree upon a collective decision”. The common fund, established through individual contribution by way of saving will be lent to its members as per group decision. The concept of SHG serves to underline the principle of “for the poor, by the poor, of the poor.

Objectives of the study

The study is primarily concurred with the following objectives.

1. To study the socio economic profile of the members after joining SHGs.
2. To identify the accessibility of credit plus services by the households in pre and post micro finance intervention.
3. To analyses the impact of micro credit plus Services on household welfare.

Methodology and Collection of Data

In this section an attempt is made to prepare a methodology of the present study. It includes sample design, period of study, and collection of data and method of analysis. Primary data have been used for the present study. The details regarding income, savings and the like relating to the overall objectives of the study were collected from the sample members through the Direct Personal Interview Method.

Study and Analysis

The major aim of the SHGs is to promote savings and credit for productive and consumption purposes. This is true because many people in the study area join the SHGs for getting loans and promote their Personal savings. Some join to get status. In the sample group 75.00 Per cent members are married. Similarly in the time of survey 3.00 Percent members are unmarried.

The Table 2 presents accessibility of ‘credit plus services’ by the household’s in pre and post SHG intervention. In prior to joining the SHG programme, a large number of the households are outside the access of credit and non-credit services. There were 84.00 per cent

Table 1: Socio-economic profile of the SHG members

Age	No. of Respondents	Percentage	Caste	No. of Respondents	Percentage
Less than 20	3	3.00	SC	23	23.00
20-30	28	28.00	ST	28	28.00
30-40	36	36.00	BC	36	36.00
40-50	23	23.00	Minorities	10	10.00
Above 50	10	10.00	OC	03	3.00
Total	100	100	Total	100	100
Marital Status	No. of Respondents	Percentage	Level of Education	No. of Respondents	Percentage
Married	75	75.0	Primary	39	39.00
Unmarried	03	3.00	Secondary	20	20.00
Divorced	04	4.00	Hr. Secondary	09	9.00
Widowed	18	18.00	Degree	01	1.00
			Illiterate	31	31.00
Total	100	100	Total	100	100

Source: Primary Survey

Table 2: Access to credit plus services by the households

Particulars	Before SHG	After SHG
Savings	16 (16.00)	100 (100.00)
Credit	21 (21.00)	100 (100.00)
Insurance	19 (19.00)	54 (54.00)
Training & Awareness	0 (0)	40 (40.00)
Health Care	45 (45.00)	100 (100.00)
Social Networks	10 (10.00)	52 (52.00)
Micro Enterprises	14 (14.00)	62 (62.00)
No. of Observation	100	100

Source: Primary Survey

households prior to SHG programme were not had access formal savings services respectively. It is also obvious from the table that 79.00 per cent member households were not accessed formal credit facilities, 81.00 per cent were not insured against any kind of risk or uncertainty of life or health, in the total sample population none of the member households were availed any type of training or awareness, 55.00 per cent were not accessed the health care facilities. 90.00 per cent were not had any social networks, 86.00 per cent were not availed the benefits of micro-enterprise services respectively. However, it is evidential from the table that post-SHG has liberated the members to access credit plus services from various institutions. It is clear that the inter-institutional participation (promotion of groups, savings, credit, insurance and non-credit services linked by various institutions) in the development of SHG leads to non-access to some of the credit plus services to the SHG members.

It is obvious from the table 3 that in the

Table 3: Distribution of Household Annual Income

Per Annum Income of the Household	Before SHG	After SHG
Less than Rs.12000	44(44.00)	0 (00)
Rs.12001 to Rs.15000	08 (8.00)	0 (00)
Rs.15001 to Rs.22000	29(29.00)	38 (19.00)
More than Rs.22001	19(19.00)	62 (62.00)
Number of observation	100	100

Note: figures in parenthesis denote percentage to the total number of households

Source: Primary Survey

Table 4: Employment of the Member Pre and after joining SHG Programme

Categories of Employment	Before	After
Agricultural and Non-agricultural wage labour	36(36.00)	18(18.00)
Cultivation	12(12.00)	05(5.00)
Housewife	28(28.00)	06(6.00)
Unemployed	24(24.00)	0(00)
Self-employed	0(00)	71(71.00)
Number of observation	100(100.00)	100(100.00)

Note: figures in parenthesis denote percentage to the total number of households.

Source: Primary Survey

absence of SHG programme, there were 44.00 per cent of the member households had the income of less than Rs.12000 per annum. Only 19.00 per cent of the households were had the per annum income of more than Rs. 22000. However, it apparent from the table that after joining the SHG programme, the member household income has increased, more than 62.00 per cent of the households were had the per annum income of more than Rs. 22000. Hence, it is evidential that micro-credit plus services played a positive role in improving the household income and thereby enhancing the welfare of the households. Thus, there is a positive change in income of the SHG beneficiaries.

It is obvious from the table 4 that 71.00 per cent are self-employed, 5.00 per cent are depends on cultivation, 18.00 per cent depends on wage labour, etc., respectively. Thus, SHG has promoted employment opportunities for the large number of unemployed and housewives. Thus, SHG services created new

Table 5: Change in Physical Assets

Types of Physical assets	Yes	No
Land	74(74.00)	26(26.00)
Livestock	68(68.00)	32(32.00)
Electronics	64(64.0)	36(36.00)
Vehicles	21(21.00)	79(79.00)
Tools and Equipments	11(11.00)	89 (89.00)
Others	61(61.00)	39(39.00)

Note: Figures in parenthesis denote percentage to the total number of households and percentage to the possessing of assets

Source: Primary Survey

Table 6: Development in Household asset Housing condition of the member prior and after joining the SHG programme

Type of dwelling	Before joining the SHGs	After joining the SHGs
Pucca	30(30.00)	61(61.00)
Semi Pucca	25(25.00)	17(17.00)
Kutchra	32(32.00)	20(20.00)
Don't own	13(13.00)	2(2.00)
Fuel used for cooking		
Gas	15(15.00)	53(53.00)
Firewood	58(58.00)	17(17.00)
Kerosine	27(27.00)	30(30.00)

Note: figures in parenthesis denote percentage to the total number of households.

Source: Primary Survey

hopes in the lives of the poor and uplifted them from the poverty though improving the employment.

Development of Household Assets

The studies showed that the participation in SHG programme lead to improvement in financial assets, household physical assets, human assets, social asset, etc. The introduction of compulsory or voluntary savings in microfinance leads to higher rates of savings.

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The table 5 presents the changes in the physical assets of the member households in the post SHG programme. In the study, 68.00 per cent members the livestock's (Animals and Poultry). Similarly, 64.00 per cent members holding the electronics goods. In the sample population, 21.00 per cent possess the vehicles, 11.00 per cent possessing tools and equipments and 61.00 per cent are purchased others respectively. It is apparent from the table that

SHG has contributed in acquiring the financial and physical assets to the poor.

Housing condition of the members has improved in the post SHG programme as compared to the before joining the programme. There were 32.00 per cent of the member households in prior to SHG programme are had the Kutchra dwellings. But, after joining the SHG's, there were only 20.00 percent of the households are living in kutchra dwellings. 15.00 per cent household used Gas for cooking before joining the SHG. But nearly 53 percent of the household used Gas for cooking after joining the SHG for the reason of the Andhra Pradesh government have been provided subsidy LPG to SHG members.

Conclusion

Microfinance is not a panacea to all problems of poverty. However, it is considered as a vital tool to break the vicious circle of poverty that characterized by low income, low savings and low investment. In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance.

The empirical evidence in this study showed that credit plus service of SHG has positively correlating with the improving in household expenditure, income, assets and employment. Microfinance has contributed in improving the access to credit for consumption and productive purposes. Most institutions regarded low- income households as "too poor to save". But SHG programme nullify the argument and showed that even vulnerable poor can save if she having the accessibility and reward from it.

Self-help groups are currently being promoted as a key strategy for Eradicating Poverty. The participation of poor in SHGs has paved the way for economic empowerment. The involvement of the poor in the group significantly contributes to improvement in the quality of life and social status.

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